

[◀ Back to SENS list](#)

[PRINT this article](#) 

LAB - Labat Africa Limited - Acquisition of primrose gold metallurgical

20 Jul 2010

LAB

LAB

LAB - Labat Africa Limited - Acquisition of primrose gold metallurgical operation and erpm gold metallurgical operation and further cautionary announcement

LABAT AFRICA LIMITED

Incorporated in the Republic of South Africa

(Registration number 1986/001616/06)

JSE code: LAB

ISIN: ZAE000018354

("Labat" or the "company")

ACQUISITION OF PRIMROSE GOLD METALLURGICAL OPERATION AND ERPM GOLD METALLURGICAL OPERATION AND FURTHER CAUTIONARY ANNOUNCEMENT

### 1 Introduction

The board of directors is pleased to announce that Labat has entered into an agreement to acquire the gold processing and smelting operations known as Primrose Gold Metallurgical as well as ERPM Gold Metallurgical from Primrose Gold Mines (Pty) Limited ("seller"), a wholly owned subsidiary of Aurora Empowerment Systems (Pty) Limited, for a purchase consideration of R38 000 000 through the issue of 38 000 000 Labat ordinary shares at R1.00 per share ("the acquisition"). The acquisition will give Labat control over two of only four ore crushing and gold smelting plants on the East Rand. The businesses and related assets are acquired as going concerns and no liabilities are assumed. The mining operations of the seller are specifically excluded.

### 2 Nature of the acquired businesses

#### 2.1 Primrose Gold Metallurgical

Primrose Gold Metallurgical comprises a full end-to-end ore processing and smelting operation, which currently treats approximately 4 500 tons of gold bearing material per month. The operation is fairly modern and consists of crushing and ball milling, followed by cyanide leaching and carbon in pulp. Approximately 15 kg of gold is recovered monthly at a recovery grade of 3.3 grams per ton.

The re-commissioning of the second ball mill is planned. This will be instituted when feedstock is available from obtaining ore from other operations in the area. The anticipated gold production is envisaged to reach over 30 kg per month in the near term and increase to 45 kg to 50 kg per month over the next 18 months.

To facilitate the envisaged increased capacity, the crushing circuit is currently being upgraded to increase the throughput capacity of the plant to approximately 12 000 tons of gold bearing material per month.

#### 2.2 ERPM Gold Metallurgical

ERPM Gold Metallurgical was commissioned in 1960 to treat gold bearing material from the underground and surface reserves of the old ERPM. The operation has a design capacity of 240 000 tons per month, but the plant has become redundant. The area is currently being cleaned up and all mining structures are being reclaimed and processed through the Primrose Gold Metallurgical plant in order to recover gold from ceased smelting operations and adjoining land.

It is expected that reclamation will take approximately two years and recover approximately 10 kg of gold per month which is included in the Primrose Gold Metallurgical Plant gold production outlook alluded to above.

### 3 Rationale for the acquisition

The company wishes to acquire income-producing businesses which supplement the company's current plant processing activities thus ensuring an ongoing business into the future for those shareholders who wish to remain invested in Labat. The acquired assets are considered gems and will be used to generate gold from underground production and surface clean up. The ERPM Gold Metallurgical plant will be dismantled and gold will be recovered from the plant. The equipment from the ERPM Gold Metallurgical plant will be used to increase the size of Primrose

Gold Metallurgical, thereby increasing its capacity. The additional equipment will be used in the recovery of other precious metals. The acquisition is expected to unlock shareholder value as there are significant unmined gold resources available. The acquisition will provide Labat with a sound foundation in the gold industry.

The ore processing and gold smelting operations are currently achieving monthly operating profit of approximately R2 million. This is expected to improve in line with the increased ore milling capacity in the next few months.

4 Effective date

The effective date of the acquisition as per the agreement is 15 July 2010.

5 Conditions precedent

The acquisition is subject to the following conditions precedent:-within two weeks from the date of signature, Labat conducts a due diligence investigation into the business and affairs of the seller and provides a written notice of satisfaction to the seller;

-within one business day from the date of the written notice of satisfaction contemplated above, the acquisition is approved of by the board of directors of Labat; and

-within 60 days from the signature date of the agreement, the purchaser receives such other regulatory approvals and/or approval of Labat shareholders as may be required in order to give effect to the acquisition.

6 Financial effects

The financial effects of the acquisition will be announced in due course.

7 Further cautionary announcement

Shareholders are advised to continue to exercise caution when dealing in the company`s securities until a further announcement, containing the financial effects of the acquisition, is made.

Sandton

20 July 2010

Corporate adviser and sponsor to Labat

Vunani Corporate Finance

Legal adviser to Labat

Eversheds

Corporate adviser to Aurora Empowerment Systems (Pty) Limited

Arcay Moela Sponsors (Pty) Ltd

Date: 20/07/2010 13:28:01 Produced by the JSE SENS Department.

The SENS service is an information dissemination service administered by the JSE Limited (`JSE`). The JSE does not, whether expressly, tacitly or implicitly, represent, warrant or in any way guarantee the truth, accuracy or completeness of the information published on SENS. The JSE, their officers, employees and agents accept no liability for (or in respect of) any direct, indirect, incidental or consequential loss or damage of any kind or nature, howsoever arising, from the use of SENS or the use of, or reliance on, information disseminated through SENS.

---

[◀ Back to SENS list](#)

PRINT this article

